Minutes of the Erie County Fiscal Stability Authority

Audit Committee Meeting

May 31, 2013

Chairman Sampson: "Hello & welcome to the Audit Committee meeting of the Erie County Fiscal Stability Authority. Today we are here to receive a presentation of the Authority's 2012 Financial Audit and we have Laura Landers from Freed Maxick here to speak with us. Laura, I'd like you to step to the podium for a brief presentation & give us an overview."

"Everyone on the committee should have a copy of the audit."

Laura Landers: "Right, we delivered the financial statements to Authority's office. So everyone should have a copy of the financial statements and also the report to the board. It's a separate report. Just an overview of the report to the board, we are required to report to the board in writing, to the governing board of the Authority and our required communications are on page 1 and 2 of that report. Also, included in that report is any recently issued accounting standards that are coming out that could potentially impact the Authority and be able to provide those so that management of the Authority could review those standards and determine if any of those could impact to the Authority. During the current year the Authority did implement GASB 63 related to deferred inflows and outflows. That really did not have a significant impact. However, for the next fiscal year (GASB) 65 will have an impact in that bond issuance costs which have been amortized on the government-wide statements will no longer be amortized, they will be fully expenses as they are in the fund basis statements. That will involve a restatement of the beginning net position of the Authority for the fiscal year ending 12/31/13."

"Also included in this report is the communications that we have had with the Authority management. That includes our engagement letter and also the representation letter that we provided to management at the conclusion of the audit. Which includes various representations related to information t hat was provided to us during the audit."

"Financial statements: the independent auditors report- a little bit different this year- briefly the difference is that the report has been divided up into sections, one stating what managements responsibility for the financial statements, our auditors responsibilities. I think that the governing bodies for the Public Accounting area had determined that hopefully this change in this report will narrow that expectation gap between that of the clients and us as the public accounting firm by actually delineating within the independent auditors report the financial statements and the auditors responsibility."

"Management Discussion & Analysis that is on pages 3-9 was prepared by the management of the Authority. Overall the operating budget for the Authority was $518,550 and actual expenditures were roughly around $470,000 so again there was a savings which has been in the last seven (7) years that the Authority has under-spent their budget by at least 9% or more."

"There was one borrowing in 2012 which was a short-term borrowing for $74 million."

"As for the Authority's funds, which is reported in the general fund category on the fund basis statements, probably the most significant variance from the prior year is in the wages and employee related expense s and the majority of that increase really relates to increase in healthcare and retirement costs. This is pretty typical across the board with all governmental entities related to retirement costs."

"As far as the other expenditures, they are all pretty even compared to 2011. I know that management has included in here factors bearing on the Authority's future. Talked a little bit about the sales tax and we are seeing that also across the board in our governmental clients that sales tax in this last year did increase. I think as the economy is recovering sales tax revenues are increasing. We all know that sales tax is obviously an economically sensitive revenue. That is good news for the local economy that sales tax is on the rise and hopefully that will continue as such."

"Included in here are financial statements, statement of net position, statement of activities, which are the government-wide statements, the balance sheet, statement of revenues, expenditures and changes in fund balance, and the required footnotes to the financial statements. Also included because this audit is performed under government auditing standards is our report on internal control over financial reporting and compliance. Also included in here is the report required by the ABO Office related to the compliance with the investment guidelines for public authorities. Any questions?"

Chairman Sampson: "Any questions of the members? Any questions of the people in the audience? Mr. Vetter do you have any observations?"

Executive Director Vetter: "We'd like to thank our public accountants; this is the second year of our agreement with them. They have helped us out tremendously.

Helped us look at our internal control going forward and really done a great job for us."

Director Lipke: "Just to confirm… the ECFSA has under- spent the budget for the past 7 years? "

Laura Landers: "Seven years…yes… by 9%. I would add too that we had no findings, no material weaknesses, no significant deficiencies to report in the report to the board."

Chairman Sampson: "Just out of curiosity, since we have gone seven years under-spending our budget, I guess I would call it a surplus, how much of a surplus is there?"

Laura Landers: "On the fund basis statements in the general fund which is the fund that would be… $976,000"

Chairman Sampson: "What would happen with that?"

Laura Landers: "Mr. Vetter, could you explain?"

Executive Director Vetter:"Mr. Chairman, that is something that the Authority can retain or could choose to at some point with the authorization of the board to return some or all of that the county. That really is… what we do as a practice in terms of revenue, the overwhelming majority of our operating revenue comes from a sales tax set-aside. What we do is take our annual budget and divide that by 12 and take 1/12 of our annual budget in revenue from sales tax payments that come in to the County and if we spend less than that our fund balance grows."

Chairman Sampson: "So the bulk of that fund balance actually comes from us under-spending."

Laura Landers: "Yes."

Executive Director Vetter: "Yes""

Director Creighton: "So where is that money?

Executive Director Vetter: "The money is in investment accounts at this point so it can be returned some or all of it could be returned to the County at some point."

Director Lipke: "*Discussion on sales tax intercept."*

Executive Director Vetter: "It's in investment accounts with First Niagara and with Chase. Again, what we have done as a practice for years. Whatever the budget is, because it seems prudent you balance the budget, sales tax is 98% of our revenues. We take our budget divided by 12 and one of the sales tax payments that comes in we set aside an amount 1/12 of our annual budget amount - if we don't spend all of that in accounting terms in fund balance and investment accounts in cash."

"We are different because our Legislation, we intercept the sales tax before the county gets it…we are much different. The county doesn't give us operating money because of the legislation we have authorization to withhold sales tax for operating expenses and for outstanding debt-service the county doesn't pre-pay."

: "There may be like the Convention and Visitors Bureau. If they have under-spent their county money…in theory the county can retrieve it from them. "

Chairman Sampson: "Can they do that?"

Director Stievater: "I wanted to comment that in the financial statements does state the revenues of the authority that are not required to pay operating expenses and other costs of the Authority is payable to the County as frequently as practical? Is there a standard for looking at that and frequently paying that back to the County? "

Chairman Sampson: "We've never paid it back."

Executive Director Vetter: "We've never paid it back."

Director Creighton: "The amount is $976,000?"

Chairman Sampson: "Just shy of $1 million. Very shy…that's 2 years budget. Is another way we could do it is to under-budget? Can use some of that to close the gap? Let's say our budget is $400,000 and we budget $300,000 can we rely on $100,000 of the surplus."

Laura Landers: "You could appropriate fund balance to balance the budget."

Director Stievater: "I was thinking it would be great if we could return some to the county."

Director Thomas: "That can't be used by us as discretionary funds?"

Executive Director Vetter: "We could, there are funds available to the Authority, under the Legislation that created the Authority if say this board wanted to grant that back in efficiency funds and say we'll give you this money back but we want it to be used for this purpose it would be within the authority of the board to do that."

Chairman Sampson: "I think we have some discussions to be had later on… how to use that creatively. There is a resolution in everyone's packets.

First, any further questions? If there are not, there is a resolution in the packet for everyone on the committee to accept the audit.

Director Sampson moves to approve, Director Creighton seconds and the Committee votes unanimously to approve the following resolution:”

Erie County Fiscal Stability Authority

Audit Committee

Resolution No.

RECOMMENDING APPROVAL OF THE 2012 ANNUAL FINANCIAL AUDIT

WHEREAS, Chapter 182 of the New York Laws of 2005 created the Erie County Fiscal Stability Authority (“ECFSA”), to serve as a corporate governmental agency and instrumentality of the State of New York, and as a public benefit corporation to “oversee [Erie] County’s budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and to finance short-term cash flow or capital needs; and, if necessary, to develop financial plans on behalf of the County if the County is unwilling or unable to take the required steps toward fiscal stability;” and

WHEREAS, the ECFSA is a public authority of the State of New York and, as such, section 3971(1) of the New York Public Authorities Law (“Public Authorities Law”) requires the ECFSA to select an independent certified accountant to perform its annual financial audit; and

WHEREAS, in adopting Resolution 11-16 on October 20, 2011, the ECFSA, approved the firm of Freed, Maxick, Battaglia, P.C., certified public accountants and an approved vendor for statewide auditing and accounting services by the New York State Office of General Services, to provide audit services to the ECFSA for fiscal years 2011, 2012 and 2013; and

WHEREAS, Freed Maxick, Battaglia, P.C., has completed the ECFSA 2012 annual financial audit and has presented it to the ECFSA Audit Committee during an open meeting on May 31, 2013; and

WHEREAS, section 2800(3) of the Public Authorities Law further requires the ECFSA to approve a financial audit for fiscal year 2012; and

NOW, THEREFORE, BE IT RESOLVED that the ECFSA Audit Committee hereby recommends approval of the 2012 Audit, a copy of which is attached to this resolution; and

BE IT FURTHER RESOLVED that the 2012 Audit be submitted to the Erie County Executive, the Presiding Officer of the Erie County Legislature, the Erie County Comptroller, the Governor, the State Comptroller, the Chair and Ranking Minority Member of the State Senate Finance Committee, and the Chair and Ranking Minority Member of the State Assembly Ways and Means Committee, as required by section 3971(1) of Public Authorities Law.

This resolution shall take effect immediately.

Chairman Sampson: This resolution will go forward to the entire authority for approval later this morning. If there is no further business, can I have a motion to adjourn?

Director Thomas moves to adjourn, Director Stievater seconds and the committee votes unanimously to adjourn.

Respectfully submitted,

James Sampson
Chairman
May 31, 2013